



NEWS RELEASE

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Unemployment Claims Adjudication Backlog Drastically Reduced

*UI System Restored to Fiscal Stability; State Poised to Meet
Federal Timeliness Standards for First Time in Seven Years*

INDIANAPOLIS (Nov 21, 2005) – Indiana’s backlog of unemployment claims has been nearly eliminated, and the program is on its way to meet U.S. Department of Labor timeliness standards for the first time in at least seven years.

As of today, the number of pending claims is 8,835, down 43% below January’s level of 15,500.

“Indiana’s unemployment system has been broken for years and we were not delivering timely and accurate service to Hoosiers. We operated at a deficit, and we routinely missed federal timeliness guidelines. I said I wanted this problem corrected before the end of the year, and we will not stop until the backlog is completely eliminated,” said Governor Mitch Daniels.

The Department of Workforce Development (DWD) unemployment benefits unit can process about 8,000 claims issues within the three-week standard set by the federal government. Unemployment claims processing at that level equates to no backlog.

“Our ultimate goal is to exceed those federal standards and provide even more timely service to Hoosiers,” said Ron Stiver, DWD commissioner.

In January, Indiana had 15,500 claims issues in the adjudication process and had the worst appeals ranking in the nation. The department centralized the claims adjudication function over the summer as one measure to improve the system’s overall efficiency and to help reduce the program’s \$2.5 million structural deficit.

“The savings realized from the centralization will be about \$1.7 million annually. Had we not centralized the program, the department would have been forced to make other cutbacks in our delivery of unemployment benefits and related services,” said Stiver.

“The necessary changes we made to the system have caused some individuals hardship over the past few months, and we regret this situation. Governor Daniels is hard to please, but we have worked vigorously to totally eliminate the backlog well ahead of the end-of-year schedule we had previously announced,” he said.

The department has implemented a host of measures aimed at meeting federal guidelines for timeliness even more quickly than was announced earlier. Short-term assistance was provided to the backlog reduction effort by utilizing former claims deputies and other staff. For the long term, new claims deputies have been hired and trained.

“As a result of our ‘all hands on deck’ approach, we have been reducing the backlog by about 1,400 claims issues per week, and reducing the average waiting period from a high of six to eight weeks to the current level

of three to four weeks,” Stiver said. “The number of outstanding issues and waiting period will be reduced even further over the coming weeks.”

The unemployment insurance adjudication process is one step in the unemployment insurance claims process. After an initial determination is made, parties can appeal first to an administrative law judge and then to the Unemployment Insurance Review Board. Both of these steps have also been plagued by significant backlogs in recent years, ranking Indiana 50th in the nation in appellate timeliness. Since January, the department’s efforts to address the backlog have reduced average waiting times by 75 percent, from four months to one month.

For the federal fiscal year ending on September 30, 2004, the state’s UI program had a \$4,405,129 deficit. Total expenditures were \$40,033,115. For the fiscal year ending on September 30, 2005, the deficit was reduced to \$370,967 as expenditures came to \$37,361,465. The program is funded with federal dollars. The deficits in previous years were eliminated by using surplus federal funds, which have been exhausted by the deficit spending.

“The bottom line is that we are in much better position at all three steps than what we inherited in January, including at the initial adjudication level, which currently has 6,665 fewer issues in the pipeline than it did in January. Meanwhile, we have reduced expenses by \$2.7 million and are working hard to continue to make further improvements,” Stiver concluded.

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FAQ
Frequently Asked Questions
Unemployment Claims

Q: Was everyone who applied for unemployment insurance affected by the claims backlog?

A: In reality, about 70% of the unemployment claims are handled automatically without staff involvement. Payment for these claims generally starts within three weeks of application. The remaining 30% (which comprise those cases in which “issues” arise) are adjudicated by claims deputies who make a determination regarding eligibility. It was these 30% claims that were temporarily facing a delay because of the backlog.

Q: Why did the Indiana Department of Workforce Development centralize the claims function in Indianapolis?

A: Indiana’s unemployment insurance program was essentially broken, and suffered from years and years of administrative neglect. More recently, the program was running an annual deficit. Surplus federal funds were used as a stop-gap measure to close the deficit. Unfortunately, these surplus funds ran out in 2004, forcing the Daniels administration to take necessary measures to restore the program to a more firm financial footing while improving service, adopting a practice used in many other states.

Previously, the unemployment claims were handled throughout the state at 28 locations. In many cases, having a regional approach makes sense in the administration of government programs. This was not one of them. Workloads varied greatly among the different claims offices: some deputies had no backlogs; others had significant backlogs, caused by variations in regional employment levels, spikes in claims, and other factors. Centralizing a function such as this helps spread the workload evenly. Not only can fewer people do the job, but efficiencies can and do occur as management spreads the claims more evenly.

Q: What are the U.S. Department of Labor timeliness standards of which Indiana has not been in compliance?

A: The US DOL requires states to make 80% of determinations for unemployment claims issues (the 30%) within twenty-one days. Indiana has not met this standard on an annual basis in at least seven years. We believe it is longer than seven years, but the Department’s records do not go back any further.

Q: How long does it now take a claim to be resolved?

A: As of November 21, 2005, it is now taking close to 3-4 weeks, on average, to process these claims. (Prior to centralization, the timeline was about 3-4 weeks.) Some other historical data regarding the queue: In January 2005, the number of issues in the pipeline was 15,500. In the fall of 2004, the number was between 13,000 and 14,000.

Q: There have been some instances of claims taking longer than 3-4 weeks. What happens with these?

A: It depends on the circumstance in each case. Sometimes, these are claims that actually are in the appeals process, not the initial adjudication process. The initial adjudication process can take up to 21 days, per federal timeliness guidelines. The processing time for a claim in the Administrative Law Judge appeal step can add up to 40 days. The UI Review Board appeal step could add up to 60 days. If a claim goes through the adjudication process and both appeals levels, this could take up to 121 days in total and still be within federal timeliness guidelines.

Other times, an extra delay may occur if a claimant doesn’t provide us with enough information when he files, or if any employer does not respond to our inquiries in a timely manner. The UI Benefits Unit is constantly improving processes to make sure that these claims don’t get stuck in the system.

Q: Is the UI claims department fully staffed?

A: The UI benefits unit currently has 74 fulltime claims deputies. Our staffing goal is 76.

Q: How was the department able to improve timeliness while at the same time reducing expenditures?

A: The unemployment insurance program is spending about \$2.7 million less than it did last year. Previously, workloads varied greatly among the different claims offices: some deputies had no backlogs; others had significant backlogs, caused by variations in regional employment levels, spikes in claims, and other factors. Centralizing a function such as this helps spread the workload evenly. Not only can fewer people do the job, but efficiencies can and do occur as management spreads the claims more evenly, makes changes in process, and introduces new accountability measures.